



# Department of Justice

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## Individual Indicted in Connection with Costa Rica-based Business Opportunity Fraud Ventures

### *Operation Had Connections to Florida, New Mexico, Wisconsin and Colorado*

WASHINGTON – A British citizen was charged in connection with the operation of a series of fraudulent business opportunities on March 10, 2009, by a Miami federal grand jury, the Justice Department and the U.S. Postal Inspection Service announced today. Sirtaj Mathauda was indicted on charges that he and his co-conspirators purported to sell vending machine, beverage and greeting card business opportunities, including assistance in establishing, maintaining and operating such businesses. The charges form part of the government's continued nationwide crackdown on business opportunity fraud.

Beginning in June 2004, Mathauda is alleged to have fraudulently induced purchasers in the United States to buy business opportunities in Apex Management Group, Inc., USA Beverages, Inc., Omega Business Systems, Incorporated, and Nation West Distribution Company. According to the indictment, the business opportunities the defendant and his co-conspirators sold cost thousands of dollars each, and most purchasers paid at least \$10,000. Typically, each company operated for several months, and after one company closed, the next opened. The various companies used bank accounts, office space and other services in the Southern District of Florida, New Mexico, Wisconsin and Colorado.

The defendant, using an alias, and his co-conspirators employed Voice Over Internet Protocol (VoIP) phone service and virtual offices in the U.S. to handle mailings to make it appear to potential purchasers that the defendant was located in the United States. In reality, Mathauda operated out of Costa Rica to fraudulently induce potential purchasers in the United States to buy the purported business opportunities.

According to the indictment, the companies made numerous false statements to potential purchasers of the business opportunities. Among the misrepresentations alleged in the indictment are that purchasers would likely earn substantial profits; that prior purchasers of the business opportunities were earning substantial profits; that purchasers would sell a guaranteed minimum amount of merchandise, such as greeting cards and beverages; and that the business opportunity worked with locators familiar with the potential purchaser's area who would secure or had already secured high-traffic locations for the potential purchaser's merchandise stands. Potential purchasers also were falsely told that the profits of the companies were based in part on the profits of the business opportunity purchasers, thus creating the false impression that the companies had a stake in the purchasers' success.

In addition, potential purchasers were falsely told that the companies were established years earlier, had a significant number of distributors across the country, and had a track record of success. Potential purchasers also were told that they would receive their merchandise racks, merchandise and locations promptly, even though many purchasers received nothing at all. Potential purchasers were referred to references who, according to the indictment, told false tales of their success as business opportunity owners.

"Business opportunity fraud is a very serious crime. We will continue to work with the Postal Inspection Service and use our law enforcement resources to investigate and uncover business opportunity fraud," said Michael F. Hertz, Acting Assistant Attorney General for the Justice Department's Civil Division.

"Business opportunity promoters need to realize that this type of fraud will be detected and prosecuted vigorously," said R. Alexander Acosta, U.S. Attorney for the Southern District of Florida. "This is true even if they operate from abroad, as the charges allege this defendant did."

According to the indictment:

- Apex Management Group, Inc. was registered as a Florida corporation and rented office space in Ft. Lauderdale, Fla. Apex purportedly offered a vending machine business opportunity.
- USA Beverages, Inc. was registered as a Florida and New Mexico corporation and rented office space in Las Cruces, N.M. USA Beverage purportedly offered a coffee beverage business opportunity.
- Omega Business Systems, Incorporated was registered as a Wisconsin and Florida corporation and rented office space in Madison, Wis. Omega purportedly offered a greeting card business opportunity.
- Nation West Distribution Company was registered as a Colorado corporation and rented office space in Denver, Colo. Nation West purportedly offered a "mini-mall" vending machine business opportunity.

According to the indictment, Mathuada and his co-conspirators misled potential purchasers by renting office space in the United States for USA Beverages, Omega, and Nation West, and otherwise making it appear that these companies' operations were fully within the United States. However, these companies actually operated from Costa Rica.

Mathauda was charged with conspiracy and with committing his offense via telemarketing. He was also charged with 13 counts of mail fraud and two counts of wire fraud.

If convicted, Mathauda faces a maximum statutory term of 25 years' imprisonment, a possible fine and mandatory restitution on the conspiracy count. He also faces a maximum statutory term of imprisonment of 25 years on each of the mail and wire fraud counts, a possible fine and mandatory restitution.

"We will not allow criminals abroad to use modern communication devices to commit fraud on the American public. This international and domestic investigation illustrates our resolve to protect the American public from investment scams, wherever they occur," said U.S. Postal Inspector in Charge, Henry Gutierrez, based in Miami.

"The Postal Inspection Service is vigilant in investigating and rooting out fraudulent schemes. Consumers must be aware that false references and empty promises of assistance locating vending and sales displays are extremely common in this type of scam," said U.S. Postal Inspector in Charge Pete Zegarac, based in Phoenix. "These companies took over the corporate identities of older businesses – so even claims of being in business for many years must be viewed with caution."

Acting Assistant Attorney General Hertz and U.S. Attorney Acosta commended the investigative efforts of the Postal Inspection Service, as well as the Federal Trade Commission, which brought a related civil suit earlier and made a criminal referral. The case is being prosecuted by trial attorneys Jeffrey Steger and Alan Phelps of the U.S. Department of Justice Office of Consumer Litigation.

An indictment is merely an allegation, and every defendant is presumed innocent until proven guilty beyond a reasonable doubt.

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